

Answer to question:

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

INQUIRY INTO PROMOTING ECONOMIC DYNAMISM, COMPETITION AND BUSINESS FORMATION

QUESTION:

CHAIR: Would it be possible to provide us with some of your key financial metrics, such as profitability and return on equity over the past, say, 20 years, acknowledging that there have been a range of changes in ownership and corporate structure during that period?

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It would be great to get as much data as you're able to provide on that. Obviously, total profit is interesting, but also metrics like return on equity, which give a sense of how profitable you are, and in a sense normalising for the fact that some aspects of the business would be declining in size given those macro trends you're talking about.

Mr Smith: I don't have the return on equity numbers to hand, but I can take that on notice and we can share those with the committee.

CHAIR: That would be great.

ANSWER:

Lion is one of Australia's leading alcohol beverage companies with more than 180 years of heritage, and which generates significant economic benefits through its operations – employing approximately 1500 people across 15 sites. Lion's global operations are also headquartered in Australia.

There has been a downward trend in profit metrics (which corresponds to the performance in the Australian business) due to a combination of factors including contraction in the beer category, substantial fixed cost base associated with running large-scale breweries which have been under-recovered due to lower volumes and, in more recent years, significant escalation in some variable costs like transport and volatility of pricing of some input materials. The beer market in Australia is in long-term decline due to consumption trends, which have recently been exacerbated by cost-of-living pressures. The beer category is incredibly competitive in Australia and price realisation has not kept pace with increasing costs.

Lion does not disclose financial performance of its Australian business as it is commercial-in-confidence. However, below is a table which captures Lion Group's Return on Equity, from FY15 through until the most recent publicly available financial results. It is important to note that these financial results are for the Lion Group, including its operations in Australia, New Zealand and the United States, and include results from the Lion Dairy & Drinks business up until FY20, prior to it being divested.

	F15	F16	F17	F18	F19	F20	F21	F22
Return on Equity %	4.2%	6.6%	3.5%	-8.2%	0.4%	-8.5%	2.6%	-3.5%